

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re:

Chapter 11 Case No.

**Lehman Brothers Holdings Inc., et al.,**

08-13555

Debtors.

**MARCH 2016 POST-EFFECTIVE OPERATING REPORT**

MARCH 1, 2016 – MARCH 31, 2016

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS

RESPONSES TO QUESTIONS SUBMITTED

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REPORT PREPARER: LEHMAN BROTHERS HOLDINGS INC., AS PLAN ADMINISTRATOR

Date: April 29, 2016

**TABLE OF CONTENTS**

Schedule of Debtors .....	3
Lehman Brothers Holdings Inc. and Other Debtors and Other Controlled Entities	
Basis of Presentation — Schedule of Cash Receipts and Disbursements .....	4
Schedule of Cash Receipts and Disbursements .....	6
LBHI	
Basis of Presentation – Schedule of Professional Fee and Expense Disbursements .....	8
Schedule of Professional Fee and Expense Disbursements .....	9
Responses to Questions Submitted.....	10

**SCHEDULE OF DEBTORS**

The twenty three entities listed below (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. As of the date hereof, the following Debtors’ chapter 11 cases remain open:

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”) .....	08-13555	9/15/2008
Lehman Brothers Commodity Services Inc. (“LBCS”) .....	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”) .....	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOT”).....	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”) .....	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”).....	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”) .....	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”) .....	08-13902	10/5/2008
Lehman Scottish Finance L.P. ....	08-13904	10/5/2008
East Dover Limited.....	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.....	09-10108	1/7/2009
BNC Mortgage LLC .....	09-10137	1/9/2009
LB Rose Ranch LLC .....	09-10560	2/9/2009
Structured Asset Securities Corporation.....	09-10558	2/9/2009
Merit LLC .....	09-17331	12/14/2009

The following Debtors’ chapter 11 cases were closed on January 28, 2016, pursuant to a final decree entered by the Bankruptcy Court (Docket No. 51920):

	<u>Case No.</u>	<u>Date Filed</u>	<u>Date Closed</u>
LB 745 LLC.....	08-13600	9/16/2008	1/28/2016
PAMI Statler Arms LLC.....	08-13664	9/23/2008	1/28/2016
CES Aviation LLC .....	08-13905	10/5/2008	1/28/2016
CES Aviation V LLC.....	08-13906	10/5/2008	1/28/2016
CES Aviation IX LLC .....	08-13907	10/5/2008	1/28/2016
LB 2080 Kalakaua Owners LLC .....	09-12516	4/23/2009	1/28/2016
LB Somerset LLC .....	09-17503	12/22/2009	1/28/2016
LB Preferred Somerset LLC .....	09-17505	12/22/2009	1/28/2016

Information regarding these Debtors is included in this report in the category “Other” Debtors.

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries.

**Please email questions, with document references as relevant, to:**

**[QUESTIONS@lehmanholdings.com](mailto:QUESTIONS@lehmanholdings.com)**

**The Company’s previously posted responses can be found on the Epiq website maintained for the Company:**

**[www.lehman-docket.com](http://www.lehman-docket.com) under the Key Documents tab and the Responses to Questions Submitted category**

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES**

**BASIS OF PRESENTATION  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
MARCH 1, 2016 – MARCH 31, 2016**

The information and data included in this March 2016 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

**Other items:**

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
  - Cash posted as collateral for hedging activity; and
  - Cash held at real estate owned properties or at third party real estate managers.

5. Restricted cash balances are based on preliminary estimates and are comprised of the following items as of March 31, 2016:

(\$ in millions)	Debtors					Debtor- Controlled Entities	Total Debtors and Debtor- Controlled Entities
	LBHI	LBSF	LCPI	Other	Total		
Reserves for Claims:							
Disputed unsecured claims <sup>(1)</sup>	\$ 1,039	\$ 979	\$ 0	\$ 291	\$ 2,309	\$ -	\$ 2,309
Tax claims <sup>(2)</sup>	0	25	-	4	29	-	29
Distributions on Allowed Claims (not remitted) <sup>(3)</sup>	90	0	0	1	91	-	91
Secured, Admin, Priority Claims and Other	115	52	21	21	208	-	208
Subtotal, Claims Reserves	1,244	1,055	21	317	2,638	-	2,638
Cash pledged to JPMorgan (CDA) <sup>(4)</sup>	76	-	-	-	76	-	76
Citigroup and HSBC <sup>(5)</sup>	2,035	-	-	-	2,035	-	2,035
Other <sup>(6)</sup>	179	1	0	25	204	38	242
<b>Total</b>	<b>\$ 3,534</b>	<b>\$ 1,056</b>	<b>\$ 22</b>	<b>\$ 341</b>	<b>\$ 4,954</b>	<b>\$ 38</b>	<b>\$ 4,992</b>

Totals may not foot due to rounding.

- (1) Represents the cash reserve for the principal amount of the disputed unsecured claims subsequent to the ninth Plan distribution on March 31, 2016.
- (2) The \$29 million at LBSF and LBCC represents the cash reserve for non-income tax issues.
- (3) Includes (i) \$73 million related to claimants subject to Office of Foreign Asset Control (“OFAC”), and (ii) \$18 million related to other open items.
- (4) Represents \$76 million of cash deposited into accounts by LBHI and pledged to JPMorgan (and its affiliates, “JPM”) pursuant to paragraph 6(b) of the Collateral Disposition Agreement (“CDA”) with JPM effective March 31, 2010; related to, but not limited to, clearance exposures and derivative exposures pending resolution of these items. The release of JPM’s lien of this \$76 million is pending resolution of the Settlement Agreement entered into by LBHI and certain Controlled Affiliates and JPM on January 25, 2016 (refer to the Quarterly Financial Report as of December 31, 2015 [Docket No. 52332] for additional information).
- (5) Represents cash deposited on or prior to September 15, 2008 by the Company in connection with certain requests and/or documents executed by the Company and Citibank N.A. of approximately \$2 billion and HSBC Bank PLC of \$27 million, including interest earned thereon. The Company is in discussion with HSBC Bank and commenced litigation against Citigroup regarding these deposits, among other things.
- (6) Other includes (i) various pre-petition balances on administrative hold by certain financial institutions of \$89 million; (ii) asserted misdirected wires and other cash received by LBHI for the benefit of third parties and Non-Controlled Affiliates of approximately \$56 million; and (iii) other miscellaneous items of \$97 million.

Restricted cash balances herein do not include other cash reserves required for operating expenses, asset preservation and other commitments (e.g. anticipated investments).

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities  
Schedule of Cash Receipts and Disbursements  
March 1, 2016 - March 31, 2016

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

		Debtors				Debtor- Controlled Entities	Total Debtors and Debtor-Controlled Entities
		LBHI	LBSF	LCPI	Other	Total	Total
<b>Beginning Free Cash and Investments (03/01/16)</b>		<b>\$ 227</b>	<b>\$ 58</b>	<b>\$ 23</b>	<b>\$ 340</b>	<b>\$ 648</b>	<b>\$ 1,056</b>
Restricted Cash		3,611	1,044	25	332	5,012	5,049
<b>Beginning Total Cash and Investments</b>		<b>3,837</b>	<b>1,102</b>	<b>48</b>	<b>672</b>	<b>446</b>	<b>6,105</b>
<b>Sources of Cash</b>							
Commercial Real Estate	(a)	0	-	14	-	14	74
Loans (Corporate and Residential)		19	-	6	-	25	25
Private Equity / Principal Investing		1	-	-	-	1	2
Derivatives		-	35	1	2	38	38
Receipts from Affiliates	(b)	640	5	0	3	648	686
Other	(c)	(66)	2	(2)	0	(66)	(66)
<b>Total Sources of Cash</b>		<b>594</b>	<b>42</b>	<b>18</b>	<b>6</b>	<b>660</b>	<b>760</b>
<b>Uses of Cash</b>							
<b>Non-Operating</b>							
Commercial Real Estate		(1)	-	0	-	(0)	(1)
Loans (Corporate and Residential)		(0)	-	-	-	(0)	(0)
Private Equity / Principal Investing		(0)	-	-	-	(0)	(0)
Other		(23)	-	-	-	(23)	(23)
<b>Operating Expenses</b>							
Compensation and Benefits	(d)	(4)	-	-	-	(4)	(5)
Professional Fees	(e)	(9)	-	-	(0)	(9)	(9)
Other	(f)	(3)	(0)	(0)	(0)	(3)	(4)
<b>Total Uses of Cash</b>		<b>(40)</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>(39)</b>	<b>(42)</b>
<b>Net Cash Flow</b>		<b>554</b>	<b>42</b>	<b>19</b>	<b>6</b>	<b>621</b>	<b>718</b>
<b>Inter-Company Transfers</b>							
Pre-Petition Inter-Company Receipts		71	0	35	-	106	114
Post-Petition Inter-Company Receipts		48	2	4	89	143	155
Dividend Receipts		119	-	94	-	213	215
Total Inter-Company Transfers Receipts	(g)	238	2	134	89	463	485
Pre-Petition Inter-Company Disbursements		-	-	-	-	(114)	(114)
Post-Petition Inter-Company Disbursements		(37)	(16)	(61)	(28)	(143)	(155)
Dividend Disbursements		-	-	-	(49)	(49)	(215)
Total Inter-Company Transfers Disbursements	(g)	(37)	(16)	(61)	(77)	(191)	(485)
<b>Payments to Creditors</b>							
Plan Distributions	(h)	(1,173)	(48)	(142)	(92)	(1,454)	(1,454)
Receipts of Plan Distributions from Debtors	(i)	143	7	41	4	196	228
Payments to Creditors - Non-Controlled Affiliates		-	-	-	-	(11)	(11)
Payments to Creditors - Other		(18)	-	-	-	(18)	(18)
Other		3	0	0	0	0	3
<b>Ending Total Cash and Investments</b>	(j)	<b>3,548</b>	<b>1,090</b>	<b>38</b>	<b>602</b>	<b>5,278</b>	<b>5,571</b>
Restricted Cash		(3,534)	(1,056)	(22)	(341)	(4,954)	(4,992)
<b>Ending Free Cash and Investments (03/31/16)</b>		<b>13</b>	<b>34</b>	<b>17</b>	<b>261</b>	<b>255</b>	<b>580</b>

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".  
Totals may not foot due to rounding.

**LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities**  
**Schedule of Cash Receipts and Disbursements**  
**March 1, 2016 - March 31, 2016**

Unaudited (\$)

**Notes:**

- (a) Cash collections at Debtor-Controlled Entities include \$44 million and \$12 million at PAMI Holdings LLC and Property Asset Management Inc., respectively, primarily related to sales of land in California.
- (b) Receipts from Non-Controlled Affiliates include the following:

<i>(\$ in millions)</i>	<b>LBHI</b>	<b>LBSF</b>	<b>LCPI</b>	<b>Other Debtors</b>	<b>Debtor-Controlled Entities</b>	<b>Total</b>
Lehman Brothers Asia Holding Ltd	\$ 398	\$ -	\$ -	\$ -	\$ -	\$ 398
Lehman Brothers Bankhaus A.G. <sup>(i)</sup>	131	-	-	-	-	131
Lehman Brothers Commercial Corp. Asia Ltd	53	0	-	3	0	56
LB RE Financing No.2 Limited	-	-	-	-	37	37
Lehman Brothers Treasury Co. B.V. ("LBT") <sup>(ii)</sup>	16	5	-	0	-	22
Lehman Brothers (PTG) Limited	16	-	-	-	-	16
Thayer Properties Ltd	13	-	-	-	-	13
Monaco NPL (No.1) Ltd	5	-	-	-	-	5
LB UK RE Holdings Limited	4	-	-	-	-	4
Stepstone Mortgage Funding Ltd	3	-	-	-	-	3
LB Lease & Finance No.1 Ltd	1	-	-	-	-	1
Other	0	-	0	0	1	1
	<b>\$ 640</b>	<b>\$ 5</b>	<b>\$ 0</b>	<b>\$ 3</b>	<b>\$ 38</b>	<b>\$ 686</b>

(i) Receipts at LBHI primarily relate to direct claims against LB Bankhaus that were assigned to LBHI as a result of the Bankhaus Creditors' Settlement (refer to the Quarterly Financial Report as of December 31, 2015 [Docket No. 52332] for additional information).

(ii) Pursuant to agreements with LBT, LBSF and LBCS, LBHI deducted and withheld approximately \$22 million from its ninth Plan distribution ("Withheld Distributions") due from LBHI to LBT to offset amounts due to LBHI, LBSF and LBCS from LBT. The Withheld Distributions were then distributed to LBSF, LBCS and LBHI for inclusion in their respective ninth Plan distributions.

- (c) Other primarily includes net variation margin of \$94 million paid on the Company's foreign currency hedging program related to various movements in the Euro, British Pound and Swiss Franc versus the US Dollar. These payments were partially offset by various other receipts.
- (d) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Debtors and Debtor-Controlled Entities.
- (e) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M).
- (f) Operating Expenses - Other includes payments related to outsourced services, IT, occupancy, taxes, insurance and other general administrative items.
- (g) Inter-Company Receipts and Disbursements include (i) partial repayments by LBHI and LCPI to LOTC and LBFP of \$20 million and \$60 million, respectively, related to outstanding loans, (ii) a loan from LBDP to LBHI of \$20 million, secured by LBHI assets, and (iii) partial repayments on intercompany balances, dividend distributions, and other administrative activities.
- (h) Plan Distributions include distributions to holders of Allowed Claims and distributions related to Plan Adjustments from Participating Subsidiary Debtors (refer to Notice Regarding Ninth Distribution [Docket No. 52347] for additional information). These amounts also include Withheld Distributions from LBHI to LBT of \$22 million, as described above in footnote (b).
- (i) Receipts of Plan Distributions from Debtors include distributions to Debtors and Debtor-Controlled Entities.
- (j) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$28 million of cash balances at Debtor-Controlled Entities in Asia.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED ENTITIES****BASIS OF PRESENTATION  
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS  
MARCH 1, 2016 – MARCH 31, 2016**

The information and data included in this March 2016 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, including certain information as required by the Office of the United States Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.



LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities  
Schedule of Professional Fee and Expense Disbursements  
March 2016 (a)

Unaudited (\$ in thousands)

		Mar-16	Year-to-date
Alvarez & Marsal LLC	Interim Management	\$ 1,016	\$ 3,383
<b>Professional Fees</b>			
Allister Brown Group LLC	Document Review for Litigations	298	803
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	140	369
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	-	418
F1 Technical Solutions, INC	Document Review for Litigations	198	392
Gibson Dunn & Crutcher LLP	Special Counsel - CRE	251	368
Hudson Legal, a DTI Company	Document Review for Litigations	71	268
Jones Day	Litigation Counsel	779	1,793
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	150	425
Quinn Emanuel Urquhart Oliver & Hedges, LLP	Litigation Counsel	1,855	6,621
Recovco Mortgage Management LLC	RMBS - Private Label Litigation	1,507	3,695
Rollin Braswell Fisher LLC	Special Counsel - RMBS	2	1,489
Skadden, Arps, Slate, Meagher & Flom LLP	Special Counsel - Tax, Litigation, Other, and BOD counsel	98	130
Weil Gotshal & Manges	Lead Counsel - Debtors	1,234	3,958
Willkie Farr & Gallagher LLP	Special Counsel - RMBS	10	955
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives and RMBS	836	1,362
US Trustee Quarterly Fees		-	136
Other Professionals	Various	1,953 (b)	5,541
Sub-total Professional Fees		9,381	28,790
<b>Total Professional Fees</b>		<b>10,397</b>	<b>32,173</b>

Note: The above list includes vendors that have been paid over \$1 million on a trailing 12 month basis and vendors that were paid over \$150 thousand for the month reported.

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Other Professionals reflect disbursements, including expert witnesses fees, to approximately 100 vendors.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-  
CONTROLLED ENTITIES**

**RESPONSES TO QUESTIONS SUBMITTED**

The information included herein is derived from publicly filed documents and sources available to the Company.

The reader should refer to the respective documents referenced in connection with these responses. Capitalized terms used in the responses herein have the meanings ascribed to them in the respective documents. These responses are not provided for and should not be relied upon for investment guidance.

1. **QUESTION:** How often does the Company adjust its foreign currency hedges?

**Response:** The Company reviews and re-calibrates, as appropriate, its foreign currency hedges weekly to align with its corporate hedging policy.

2. **QUESTION:** Are disputed claims reserves calculated for individual class of claims, or in aggregate by Debtor?

**Response:** Disputed claims reserves are calculated by Debtor by class.

3. **QUESTION:** With respect to LBSF: The February 2016 Post-Effective Operating Report [Docket No. 52362] reflects Ending Free Cash and Investments (02/29/16) of \$58 million, but the D9 Distribution Notice [Docket No. 52347] shows Initial Cash Available for Distribution of \$25.1 million. What drove this reduction in free cash?

**Response:** The reduction in LBSF's free cash leading into D9 was primarily driven by (i) operating expenses (which are largely paid by LBHI, then allocated and settled quarterly), and (ii) catch-up distributions for newly allowed claims that were allowed at higher levels than reserves.

4. **QUESTION:** Provide a copy of the Lehman Brothers Asia Holdings Limited Scheme of Arrangement.

**Response:** This document, which is also available to the public through the Hong Kong Companies Registry, has been posted to the Company's website: [www.lehman-docket.com](http://www.lehman-docket.com), under the "Key Documents" tab and "Certain Sale and Settlement Documents" category.

5. **QUESTION:** In reference to “Exhibit D” of the Notice Regarding Ninth Distribution [Docket No. 52347], please clarify how much of LBHI’s “Allowed Claims Eligible for Distributions at D9” of \$229,552.4 million relates to allowed claims that LBHI holds against itself.

**Response:** LBHI is the holder of allowed claims against itself of approximately \$12.9 billion, primarily comprised of (i) \$8.1 billion of Class 4A claims, (ii) \$1.9 billion of Class 9B claims, (iii) \$1.2 billion of Class 3 claims, (iv) \$0.9 billion of Class 9A claims, and (v) \$0.6 billion of Class 7 claims.

6. **QUESTION:** How is the Company’s stake in Formula One held and what legal entity holds it?

**Response:** LB I Group, Inc.’s ownership in Formula One, which is fully encumbered to LCPI, is in the form of ordinary shares and an unsecured PIK note.